

GREAT LAKES NICKEL LIMITED

1971

Annual Report and Information Circular



Digitized by the Internet Archive
in 2024 with funding from
University of Alberta Library

https://archive.org/details/Grea2156_1971

GREAT LAKES NICKEL LIMITED
HEAD OFFICE

Suite 4909
Toronto-Dominion Centre
Toronto, Ontario

DIRECTORS

Norton Penturn	Toronto
L. J. McGowan	Toronto
Burke A. Brown	Toronto
D. G. C. Menzel	Toronto
J. R. O. Walli	Toronto
C. E. Michener	Toronto
George Tiviluk	Toronto

OFFICERS

Norton Penturn	President
Ruth Bond	Treasurer
D. G. C. Menzel	Secretary

TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada
Montreal and Toronto

AUDITORS

Deloitte, Haskins and Sells

GREAT LAKES NICKEL LIMITED

REPORT OF THE DIRECTORS

To the Shareholders:

Your company's affairs have been materially strengthened following the completion of refinancing and change of control described for you by letter dated October 20, 1971. Briefly, the effects of this were, as at December 31, 1971, to increase current assets to \$953,760 from \$288,175, and to decrease liabilities from \$373,333 to \$26,406. Management was almost completely changed, and in early 1972 the shares of your company were listed on the Canadian Stock Exchange.

The prime purpose of your management is to arrange financing for a \$114 million integrated mine, mill, smelter and refinery project associated with our copper-nickel-precious metal orebody near Thunder Bay, Ontario. The final feasibility report for that project, completed by the Parsons-Jurden Corporation, demonstrates that the project is technically viable and we are confident that it has exceptional economic attractiveness. Our objective is to see the project into production in such a way that an equitable interest is retained by the present shareholders.

Recent difficult conditions in the world metal and monetary markets have not created an environment conducive to the financing of major new developments. However these conditions appear to be gradually improving.

We would like to describe some of the efforts that have been undertaken in the short time since your present directors were elected.

- (1) The project will be of intense interest to government at all levels. It will create 1200 new jobs in an area that is designated for support through the programs of the Federal Department of Regional Economic Development. It will provide additional processing capacity for concentrate production and increase Canada's output of metals for world markets in accord with a recognized Canadian need. Advanced design technology will ensure ecological neutrality in contrast to other Canadian smelter complexes. Applications to all appropriate government agencies have been effected.
- (2) Expert management will be required to develop and operate this facility. Additionally, the strength of management improves your company's access to more sectors of the capital markets. There are numerous international professional management services available to these types of projects on a contractual basis. Your company is currently investigating this approach with the best of these organizations.

- (3) The most satisfactory avenues for the marketing of the planned output in the light of the requirements of sources of financing and also in light of the most attractive alternative for the company are being assessed. It is our opinion that the marketing of the output will follow naturally the resolution of the financing.
- (4) To develop a project of this scale will most certainly require the support of strong partners. It is our present policy to encourage thorough and complete investigations by candidate partners who possess the necessary broadly-based expertise and competence. It is our opinion that the most probable outcome will be a joint venture with several such companies. Some such investigations are now in progress.
- (5) To ascertain what support might be available from lending institutions, approaches have been made to Canadian and international sources. These are continuing.
- (6) McLeod, Young, Weir & Company Limited have been appointed investment bankers and financial advisers to your company. They are guiding your management's financial planning and providing other assistance as required. In the area of computer based financial analysis, their work has furthered our ability to evaluate various plans.

As you can see, the extent of our efforts is considerable and we are hopeful that the promise of the past will be realized to the benefit of shareholders. The accomplishments of Dr. McCuaig and the previous Board of Directors deserve your recognition.

On behalf of the Directors
Norton Penturn
President

Toronto, Ontario
April 14, 1972

DELOITTE, HASKINS & SELLS

Offices across Canada and associated firms throughout the world

Chartered Accountants

ROYAL TRUST TOWER • P.O. BOX 283, TORONTO-DOMINION CENTRE, TORONTO 111, ONTARIO

**To the Shareholders of
Great Lakes Nickel Limited:**

We have examined the balance sheet of Great Lakes Nickel Limited as at December 31, 1971 and the statements of development and administrative expenses deferred and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS
Auditors.

February 29, 1972.

GREAT LAKES NICKEL LIMITED
(Under The Business Corporations Act, Ontario)
BALANCE SHEET AS AT DECEMBER 31, 1971
(with 1970 figures for comparison)

ASSETS

	<u>1971</u>	<u>1970</u>
CURRENT ASSETS:		
Cash and term deposits	\$ 951,630	\$ 287,676
Accrued interest receivable	880	499
Prepaid expenses	1,250	—
Total current assets	<u>953,760</u>	<u>288,175</u>
PROPERTY AND EQUIPMENT:		
Machinery and equipment — at cost	141,586	139,418
Less accumulated depreciation	<u>116,023</u>	<u>105,072</u>
	25,563	34,346
Mining properties and land (Note 1)	<u>126,246</u>	<u>126,246</u>
Net property and equipment	<u>151,809</u>	<u>160,592</u>
DEVELOPMENT AND ADMINISTRATIVE EXPENSES DEFERRED ..	3,481,513	3,125,741
TOTAL	<u>\$4,587,082</u>	<u>\$3,574,508</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1971</u>	<u>1970</u>
CURRENT LIABILITIES:		
Accounts payable and accrued charges	<u>\$ 26,406</u>	<u>\$ 37,759</u>
NON-CURRENT ADVANCES:		
Acres Management Services Limited	—	233,574
International Capital Consultants Ltd. (Note 2)	<u>—</u>	<u>102,000</u>
Total non-current advances	<u>—</u>	<u>335,574</u>
SHAREHOLDERS' EQUITY:		
Share capital:		
Authorized:		
5,000,000 shares of \$1 each		
Issued and fully paid:		
3,233,123 shares (1970 — 2,624,956) (Note 3)	3,233,123	2,624,956
Net premium thereon	<u>1,073,487</u>	<u>322,153</u>
	4,306,610	2,947,109
Contributed surplus (no change during the year)	517,507	517,507
Deficit (no change during the year)	<u>(263,441)</u>	<u>(263,441)</u>
Net shareholders' equity	<u>4,560,676</u>	<u>3,201,175</u>
TOTAL	<u>\$4,587,082</u>	<u>\$3,574,508</u>

Approved by the Board:

NORTON PENTURN, Director

L. J. McGOWAN, Director

The accompanying notes are an integral
part of the financial statements.

GREAT LAKES NICKEL LIMITED
STATEMENT OF DEVELOPMENT AND ADMINISTRATIVE EXPENSES DEFERRED
FOR THE YEAR ENDED DECEMBER 31, 1971

	Total to December 31, 1970	Increase During The Year	Total to December 31, 1971
DEVELOPMENT EXPENSES:			
Assays and ore testing	\$ 36,412	\$ 2,296	\$ 38,708
Board	(28,454)	—	(28,454)
Contract drilling	151,185	—	151,185
Consulting fees and expenses	446,516	57,484	504,000
Depreciation	110,307	9,985	120,292
Equipment rental	57,267	—	57,267
Food	46,659	1,075	47,734
Gas and oil	61,342	1,972	63,314
Insurance, taxes and licences	28,794	4,633	33,427
Labour	608,916	5,690	614,606
Milling, smelting and refining tests	67,222	—	67,222
Repairs and maintenance	98,265	2,083	100,348
Supervision	139,329	24,075	163,404
Supplies	263,906	713	264,619
Surveys	27,908	—	27,908
Telephone	9,589	696	10,285
Travelling	41,265	719	41,984
Total	<u>2,166,428</u>	<u>111,421</u>	<u>2,277,849</u>
ADMINISTRATIVE EXPENSES:			
Depreciation	1,919	966	2,885
Financial consultants' fees	246,000	83,354	329,354
Insurance and taxes	4,101	1,590	5,691
Legal and audit	74,048	30,487	104,535
Salaries and technical services	522,950	57,624	580,574
Printing and office supplies	28,550	8,400	36,950
Public relations	18,995	4,168	23,163
Rent and office services	113,523	27,857	141,380
Telephone	24,474	8,683	33,157
Transfer agents' fees	18,214	5,011	23,225
Travelling	16,228	21,222	37,450
Bad debts	12,600	—	12,600
	<u>1,081,602</u>	<u>249,362</u>	<u>1,330,964</u>
Deduct interest, net	122,289	5,011	127,300
Total	<u>959,313</u>	<u>244,351</u>	<u>1,203,664</u>
TOTAL DEVELOPMENT AND ADMINISTRATIVE EXPENSES DEFERRED	<u><u>\$3,125,741</u></u>	<u><u>\$355,772</u></u>	<u><u>\$3,481,513</u></u>

The accompanying notes are an integral
part of the financial statements.

GREAT LAKES NICKEL LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1971
(with 1970 figures for comparison)

FUNDS PROVIDED:	<u>1971</u>	<u>1970</u>
Issue of share capital	\$1,359,501	\$ 250,000
Non-current advances from:		
Acres Management Services Limited	15,927	233,574
International Capital Consultants Ltd.	8,000	102,000
Total funds provided	<u>1,383,428</u>	<u>585,574</u>
 FUNDS APPLIED:		
Development and administrative expenses	355,772	840,218
Deduct depreciation which does not require an outlay of funds	<u>10,951</u>	<u>14,720</u>
Funds applied to development and administrative expenses	344,821	825,498
Additions to property and equipment	2,168	10,622
Reduction of indebtedness to:		
Acres Management Services Limited	249,501	—
International Capital Consultants Ltd.	110,000	—
Total funds applied	<u>706,490</u>	<u>836,120</u>
 INCREASE (DECREASE) IN WORKING CAPITAL	<u>676,938</u>	<u>(250,546)</u>
 WORKING CAPITAL AT BEGINNING OF THE YEAR:		
As previously reported	148,416	500,962
Add reclassification of International Capital Consultants Ltd. indebtedness (Note 2)	<u>102,000</u>	<u>—</u>
As restated	<u>250,416</u>	<u>500,962</u>
 WORKING CAPITAL AT END OF THE YEAR	<u>\$ 927,354</u>	<u>\$ 250,416</u>

The accompanying notes are an integral
part of the financial statements.

GREAT LAKES NICKEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1971

1. Mining Properties and Land

- (a) Mining properties and land consist of patented lots, mining leases, and land located in Pardee Township, Ontario. Of the total cost of \$126,246, the amount of \$61,746 was paid in cash, and the balance of \$64,500 by the issue of shares of capital stock.
- (b) Under date of March 4, 1970, the company entered into an agreement with Norway Lake Iron Mines Limited, whereby it undertook to carry out certain assessment work on Norway Lake's mining claims. On completion of the assessment work, a new company was to be incorporated under the laws of the Province of Ontario, with an authorized capital of 3,000,000 shares without nominal or par value, which said new company shall acquire the mining claims from Norway Lake and, in consideration therefor, shall issue and allot 250,000 fully paid and non-assessable shares to that company, of which 10% are to be free of escrow and 90% are to be subject to the usual escrow requirements of the Ontario Securities Commission or such other escrow requirements and provisions relating to vendors' shares in force at the time of incorporation. The balance of the vendors' shares are to be issued to this company or as this company may direct.

This new company would also issue to Great Lakes fully paid shares for the assessment work done at the rate of 10¢ per share up to \$20,000 worth of work and 15¢ per share thereafter.

During the year ended December 31, 1970, the assessment work was done by Great Lakes at an estimated cost of \$20,000 and charged to its deferred development expenses. No action has been taken to incorporate the new company referred to, although Great Lakes holds executed transfers in blank on the Norway Lake mining claims.

2. Advance from International Capital Consultants Ltd.

Included in current liabilities as at December 31, 1970 was an amount of \$102,000 owing to International Capital Consultants Ltd. Subsequent to December 31, 1970, International Capital Consultants Ltd. agreed to accept share capital in satisfaction of the company's then indebtedness of \$110,000. To reflect this decision on a retro-active basis, the indebtedness to International Capital Consultants Ltd. as at December 31, 1970 has been reclassified as a non-current advance, and working capital has been adjusted accordingly.

GREAT LAKES NICKEL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1971

3. Share Capital

- (a) The company issued 608,167 treasury shares for \$1,359,501, as follows:
 - (i) 500,000 shares to 246057 Investments Limited (a company controlled by a director, Mr. Norton Penturn) for a cash consideration of \$1,000,000.
 - (ii) 83,167 shares in satisfaction of the indebtedness to Acres Management Services Limited of \$249,501.
 - (iii) 25,000 shares in satisfaction of the indebtedness to International Capital Consultants Ltd. of \$110,000.
- (b) Of the 1,275,000 shares issued for mining properties, 332,109 shares are held in escrow by Guaranty Trust Company of Canada, and may not be released, transferred, or hypothecated without the written consent of the Ontario Securities Commission and the Canadian Stock Exchange.
- (c) Options to purchase shares have been granted and are outstanding, as follows:
 - (i) 1,000,000 shares to 246057 Investments Limited at \$3.50 per share, exercisable on or before a day being the later of:
 - (1) August 20, 1978, or
 - (2) a day being the earlier of a day being exactly five years from the day that the present mineral property of the company is brought into production of refined metals in reasonable commercial quantities, or June 30, 1985.
 - (ii) 100,000 shares to Mr. J. R. O. Walli, the General Manager and a director of the company, at \$2.00 per share, exercisable during a period not to extend beyond April 30, 1982 at a rate not to exceed 20,000 shares per annum, except to the extent otherwise provided. (This option replaces a previous employee incentive option covering 25,000 shares which was cancelled by mutual agreement.)
 - (iii) 25,000 shares to Mr. L. J. McGowan, a director of the company, at \$2.00 per share, exercisable during a period not to extend beyond April 30, 1982 at a rate not to exceed 5,000 shares per annum, except to the extent otherwise provided.
 - (iv) 50,000 shares to Mr. Penturn, as President of the company, at \$2.00 per share, exercisable before April 30, 1982.
 - (v) 75,000 shares to Mr. Burke A. Brown, a director of the company, at \$2.00 per share, exercisable before October 31, 1981. (Mr. Brown previously held an option on 75,000 shares, at \$5.85 per share, exercisable before December 31, 1977.)
 - (vi) 225,000 shares in the aggregate to several designees of International Capital Consultants Ltd. (including that company), at \$5.85 per share, exercisable before December 31, 1977.

4. Remuneration of Directors and Officers

The remuneration of directors and senior officers, as defined by The Business Corporations Act, Ontario, during the year ended December 31, 1971, amounted to \$110,500 (1970 — \$97,000).

GREAT LAKES NICKEL LIMITED

INFORMATION CIRCULAR

This Information Circular accompanies the Notice of Annual Meeting of the Shareholders of Great Lakes Nickel Limited (the "Corporation") to be held in the Nova Scotia Room of the Royal York Hotel, Front Street West, Toronto, Ontario on Tuesday, the 16th day of May, 1972 at the hour of 10:00 o'clock in the forenoon (Toronto time).

Representation at Meeting

Each shareholder of the Corporation is entitled to one vote for each share held by him and may by means of a proxy appoint a person, who need not be a shareholder, as his nominee to attend and act at the meeting in the manner, to the extent and with the power conferred by the proxy.

A proxy must be executed by the shareholder or his attorney authorized in writing or, if the shareholder is a body corporate, under its corporate seal or by an officer or attorney thereof duly authorized in writing.

A proxy may be revoked by an instrument in writing executed in the same manner as a proxy and deposited either at the head office of the corporation, Suite 4909, Toronto-Dominion Centre, Toronto, Ontario at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such meeting on the day of the meeting, or any adjournment thereof.

The form of Proxy attached to the Notice calling the Annual Meeting is solicited by the Management of the Corporation. The solicitation is being made solely by mail and the cost thereof will be borne by the Corporation.

Principal Shareholder:

As at April 13, 1972 246057 Investments Limited (a corporation all of the issued shares of which are beneficially owned by Mr. Norton Penturn) was the registered and beneficial owner of 750,000 shares or 23% of the 3,233,123 shares of the Corporation outstanding on that date. 246057 Investments Limited is also the Directing Party named in the Voting Trust Agreement dated August 20, 1971 whereunder Guaranty Trust Company of Canada is Voting Trustee. As Directing Party it has the right to determine how the Voting Trustee is to vote the shares of the Corporation held by it thereunder. As at April 13, 1972 225,000 shares of the Corporation (or 6.9% of the outstanding shares of the Corporation) were subject to the Voting Trust Agreement.

Election of Directors

The Management of the Corporation proposes to nominate as directors of the Corporation to hold office until the next following Annual Meeting or until their successors have been duly elected the present directors of the Corporation who are:

Name and Address	Principal Occupation or Employment	Date first Elected	Shares beneficially owned at April 13, 1972
Burke A. Brown 34 Farrington Drive Willowdale, Ontario	President and controlling shareholder of Endowment Capital Corporation Limited, a consultant to the Corporation and to other companies.	Sept. 19/69	1
Lionel J. McGowan 5 York Ridge Road Willowdale, Ontario	Engaged in the business of being a director of and consultant to companies including the Corporation.	Aug. 25/71	2,000
D. G. C. Menzel 34 Stratheden Road Toronto 12, Ontario	Barrister & Solicitor; Partner of Campbell, Godfrey & Lewtas, solicitors to the Corporation.	Aug. 25/71	1
Charles E. Michener Suite 2302 401 Bay Street Toronto, Ontario	Partner of Derry, Michener & Booth, Consulting Geologists; prior to 1968 Vice-President of the exploration subsidiary of The International Nickel Company of Canada Limited.	Oct. 13/71	Note (1)
Norton Penturn 16 Glen Cedar Road Toronto, Ontario	President of the Corporation; President and principal shareholder of John Penturn & Son Ltd., a company engaged in the investment in and management of commercial real estate.	Aug. 25/71	Note (2)
George Tiviluk 236 Cortleigh Blvd. Toronto, Ontario	Barrister & Solicitor; Partner of Campbell, Godfrey & Lewtas, solicitors to the Corporation.	Aug. 25/71	None
J. R. O. Walli 262 Lytton Blvd. Toronto, Ontario	General Manager of the Corporation and a Mining Engineer; prior to 1970 Project Manager and a Director of Compania Minera Andina S.A. (then a subsidiary of Cerro Corporation of New York) the owner of Rio Blanco Mine in Chile; prior thereto Vice-President and Director of Associated Mining Construction Ltd. and A.M.C. Harrison Ltd.	Sept. 22/71	1,000

Note (1): A company all of the shares of which are beneficially owned by Dr. Michener owns 5,000 shares of the Corporation.

Note (2): As noted above Mr. Penturn owns all of the shares of 246057 Investments Limited which in turn beneficially owns 750,000 shares of the Corporation.

Note (3): See below for information concerning options in favour of directors and 246057 Investments Limited.

Remuneration of Management

No remuneration was paid by the Corporation in 1971 or is intended to be paid in 1972 to directors as such. The aggregate direct remuneration paid during 1971 to directors who were paid as consultants to and senior officers of the Corporation was \$64,450 which amount excludes \$35,415 paid to Endowment Capital Corporation Limited, a corporation controlled by Mr. Burke A. Brown and \$10,700 paid to two former directors for supplying accommodation and office services. In addition, in 1971 options on treasury shares of the Corporation were given to Messrs. Walli, McGowan, Penturn and Brown as described below.

Material Transactions in which Management has an Interest

By agreement dated July 12, 1971 among other things the Corporation agreed to sell 500,000 treasury shares at \$2 per share and agreed to grant an option to purchase an additional 1,000,000 treasury shares at \$3.50 per share to Mr. Penturn or his assignee. 246057 Investments Limited, 25 Adelaide Street West, Toronto, Ontario as such assignee subsequently purchased the said 500,000 shares and by agreement dated August 20, 1971 was given the option to purchase 1,000,000 shares at \$3.50 per share exercisable on or before a day being the later of August 20, 1978 or a day being the earlier of a day being exactly 5 years from the day that the present mineral property of the Corporation is brought into production of refined metals in reasonable commercial quantities, or June 30, 1985.

By agreement dated October 31, 1971 Mr. Walli was given the option to purchase 100,000 shares of the Corporation at \$2 per share exercisable during a period not to extend beyond April 30, 1982 at a rate not to exceed 20,000 per annum except to the extent otherwise provided. (This option replaced a previous employee incentive option covering 25,000 shares.)

By agreement dated October 31, 1971 Mr. McGowan was given the option to purchase 25,000 shares of the Corporation at \$2 per share exercisable during a period not to extend beyond April 30, 1982 at a rate not to exceed 5,000 per annum except to the extent otherwise provided.

By agreement dated October 31, 1971 Mr. Penturn was given the option to purchase 50,000 shares of the Corporation at \$2 per share exercisable during a period not to extend beyond April 30, 1982.

International Capital Consultants Ltd. had prior to 1971 been granted an option to purchase an aggregate of 300,000 shares of the Corporation at \$5.85 per share exercisable not later than December 30, 1977. The benefit of this option to the extent of 75,000 shares had been assigned to Mr. Brown. By agreement dated October 31, 1971 the option to Mr. Brown was changed to provide for an option price of \$2 per share and for a termination date of October 31, 1981.

The price range of the shares of the Corporation on the quoted over-the-counter market in the thirty-day period preceding August 20, 1971 was high \$2.12½ and low \$1.75 per share and preceding October 31, 1971 was high \$2 per share and low \$1.25. None of the foregoing options have been exercised in part or in full.

Appointment of Auditors

The nominee named in the form of proxy will vote for the appointment of Messrs. Thorne, Gunn, Helliwell & Christenson as auditors of the Corporation. The present auditors of the Corporation are Messrs. Deloitte, Haskins & Sells who have been auditors of the Corporation for more than 5 years.

Other Matters

Management knows of no matters which will come before the Annual Meeting except the receiving of the Annual Report, the Election of Directors and the Appointment of Auditors.

IF ANY OTHER MATTERS COME BEFORE THE MEETING, THE NOMINEE NAMED IN THE FORM OF PROXY WILL VOTE THE SHARES REPRESENTED THEREBY AS HE SEES FIT and in particular if any one (or more) of the aforementioned persons proposed as a director becomes unable or unwilling to serve his replacement will be selected by such nominee.

Dated April 14, 1972

